

A Publication of
the Massachusetts
Department of Revenue's
Division of Local Services

City & Town

Amy Pitter, Commissioner • Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs



Deputy
Commissioner
Robert G. Nunes

Local Officials Directory

Municipal Calendar

IGR's & Bulletins

Workshops, Seminars & Events

What's New

DOR 360



City & Town is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

Editor: Dan Bertrand

Editorial Board: Robert Nunes, Robert Bliss, Zack Blake, Amy Handfield, Sandra Bruso and Patricia Hunt

In this Issue:

- [Will Fiscal Prudence Grow with Excess Levy Capacity?](#)
- [Ask DLS](#)
- [BLA Offering Certification Preparation Workshop](#)
- [DLS Reports Results of FY14 BOA Survey of Auditors, Accountants and Finance Directors](#)
- [Schedule A on DLS Gateway: Fixes for Firefox and Chrome Users](#)
- [BULLETIN 2014-01B: 2013 Legislation](#)
- [DLS Announces Training Course 101 for Local Assessors](#)

Will Fiscal Prudence Grow with Excess Levy Capacity?

Technical Assistance Staff

Excess levy capacity is a potential municipal reserve that arises out of the operation of Proposition 2 1/2. It is the difference between the maximum property tax revenue a community is permitted to raise under Proposition 2 1/2 rules (levy limit) and the tax revenue actually raised (levy). If a city or town creates excess levy capacity, it can in subsequent years build the reserve by again taxing less than the levy limit or tap into this taxing capacity to finance municipal spending without restriction.

Historically, the accumulation of excess levy capacity appears directly related to broad economic trends. In the recession year of 1992, taxation was by one definition at its highest as excess levy capacity statewide (\$23.5 million) was at its lowest level in 30 years under Proposition 2 1/2.

The next ten years was a period of unparalleled economic growth in the United States and, following suit, excess levy capacity among all cities and towns increased correspondingly. For nine consecutive years ending in FY2001, excess levy capacity rose and reached a new high of \$204 million statewide. During one five-year span (FY1993-FY1997), it grew by 370 percent.

The recessions of FY2001 and FY2009 each triggered declines as the local need for revenue increased. However, the expected downward cycle was unexpectedly short-lived as FY2010 was the start of a five year statewide trend of increasing margins.

Between FY2010 and FY2014, excess levy capacity among all cities and towns increased by \$175,352,751 to its highest level ever - just over \$386 million.

Fiscal Year	Excess Levy Capacity-All Cities/Towns
2010	\$210,758,043
2011	\$249,522,885
2012	\$292,844,075
2013	\$345,162,017
2014	\$386,110,794

The mix of municipalities includes both large and small cities and towns. Of 172 towns with a population under 10,000 people, 11 had more than \$1 million in excess levy capacity.

	Population	Excess Levy Capacity
Hancock	716	\$1,168,947
West Stockbridge	1,295	\$1,073,829
Stockbridge	1,961	\$1,533,149
Carlisle	4,978	\$1,377,347
Boxborough	5,105	\$1,266,773
Lee	5,898	\$1,401,736
Stow	6,854	\$1,441,070
Great Barrington	7,003	\$1,767,517
Sterling	7,858	\$1,317,532
Hamilton	8,072	\$2,140,766
Southborough	9,854	\$1,396,253

Twenty-two cities and towns had excess levy capacity greater than 10 percent of their maximum allowed levy.

	Population	Maximum Allowed Levy	Excess Levy Capacity	% of Maximum Allowed Levy
Hancock	716	2,001,072	1,168,947	58.4%
Cambridge	106,471	446,045,872	117,500,927	26.3%
West Stockbridge	1,295	5,166,311	1,073,829	20.8%

Marlborough	39,204	109,200,278	21,148,065	19.4%
Stockbridge	1,961	8,424,432	1,533,149	18.2%
Savoy	688	1,196,386	207,728	17.4%
Alford	492	1,398,930	242,052	17.3%
Leyden	722	1,681,323	273,187	16.2%
Granville	1,605	2,904,679	463,822	16.0%
Wayland	13,285	64,821,493	10,232,654	15.8%
Wendell	866	2,072,326	325,175	15.7%
West Springfield	28,574	65,935,667	10,108,019	15.3%
Agawam	28,608	60,906,611	9,167,708	15.1%
Charlemont	1,263	2,476,667	346,184	14.0%
New Braintree	1,018	2,081,348	279,162	13.4%
Peru	852	1,748,139	215,813	12.3%
New Ashford	227	414,613	50,874	12.3%
Heath	706	1,972,791	241,227	12.2%
Warwick	779	1,587,522	175,724	11.1%
Pittsfield	44,168	78,838,373	8,489,372	10.8%
Middlefield	527	1,281,116	132,279	10.3%
Lee	5,898	13,874,399	1,401,736	10.1%

Of 351 Massachusetts communities, 151 had excess levy capacity greater than \$100,000 in FY2014 compared to 68 in FY2010.

FY	Cities/Towns*	% of 351	<u>Excess Levy Capacity</u>		—	—
-	-	-	\$100- 250k	\$250- 500k	\$500k- \$1m	>\$1m
2010	68	19.4%	24	9	13	22
2011	87	24.8%	30	11	19	27
2012	113	32.2%	39	19	22	33
2013	142	40.5%	52	27	19	44
2014	151	43.0%	48	36	18	49
Increase	83	—	24	27	5	27

More than twice as many municipalities with a FY2014 budget of \$25 million or less amassed over \$100,000 in excess levy capacity than in FY2010.

-	C/T Budgets	Excess levy capacity		-	-
-	<\$25m	\$100- 250k	\$250- 500k	\$500k- \$1m	>\$1m
2010	29	17	3	8	1

2011	35	19	6	7	3
2012	45	24	11	8	2
2013	60	31	16	7	6
2014	62	32	15	9	6

There is evidence suggesting that, even with available tax revenue in the form of excess levy capacity, local leaders have more recently embraced conservative budget approaches. Between FY2010 and FY2014 as excess levy capacity rose to record levels, municipal budgets statewide grew at a rate of 3.0 percent annually on average. In contrast, during the ten year period of unprecedented economic growth between FY1992 and FY2001, budgets increased 5.9 percent annually.

These trends invite an interpretation that some cities and towns with excess level capacity are better positioned now than in the past to weather a future economic downturn. But, there are cautionary notes. Taken year-by-year, the growth rate of municipal budgets is trending up, just as it did in the years approaching FY2002. Second, in the face of rising unfunded health and pensions obligations, municipalities are likely to experience greater difficulty in holding down budgets.

FY	All municipal budgets	Change over prior year
2010	\$21,733,782,411	-0.5%
2011	\$21,964,747,303	1.1%
2012	\$22,550,782,067	2.7%
2013	\$23,389,044,864	3.7%
2014	\$24,336,806,175	4.1%

Nonetheless, it is an encouraging sign that, in FY2014, 151 of 351 cities found a way of creating at least \$100,000 in excess levy capacity. If the economy is entering a period of growth, and municipalities can resist the "spend what we have" approach and favor instead a "bank what we can" mindset, they will further improve their fiscal condition.

As a by-product, building excess levy capacity would not just provide a city or town with a financial reserve, it would be a positive step toward controlling property taxes. Together with debt exclusion roll-offs and Proposition 2 1/2 underrides, creating excess levy capacity is the only way to hold taxes steady or put them in decline.

Ask DLS

This month's Ask *DLS* involves signing up to receive DLS Alerts and the Local Officials Directory. Please let us know if you have other areas of interest or send a question to cityandtown@dor.state.ma.us.

Who receives DLS Alerts and *City & Town*? How does one sign up? What is the Local Officials Directory?

The DLS Alerts distribution list is comprised of a wide variety of state and local officials, private businesses, consultants, legislators, municipal employees, press and media contacts, interested taxpayers and many others. We highly encourage any and all employees in local government to subscribe. If you know of an individual who may benefit from receiving information on assessment, legal opinions, local aid updates, technical updates, budgetary guidance and other useful information, please send them the following link. All are welcome to receive DLS Alerts. You can also email us at cityandtown@dor.state.ma.us to sign up.

<https://wfb.dor.state.ma.us/DORCommon/Listserv/DLSMailList.aspx>

In addition, we ask your assistance in making sure your community has up-to-date contact information in our Local Officials Directory (LOD), the online database we use for both informal and formal communications to cities and towns. To view the LOD, click [here](#). If your community's information needs to be updated, please email us at cityandtown@dor.state.ma.us.

BLA Offering Certification Preparation Workshops

Bureau of Local Assessment

The Bureau of Local Assessment will be conducting four Certification Preparation Workshops for assessors whose communities are scheduled for triennial certification of all real and personal property valuations for FY2015. The workshops will be held at the following locations:

Boston - March 3rd from 10:00am to noon, Saltonstall Building, 2nd Floor Conference Room B-D

Springfield- March 6th from 10:00am to noon, 436 Dwight Street

Worcester - March 11th from 10:00am to noon, Worcester Public Library, Main Branch, 3 Salem Square, Saxe Room

Sandwich - March 13th from 10:00am to noon, Oakcrest Cove, 34 Quaker Meeting House Road

Registration is required. Please email your name, community, email address and phone number to John Gillet at bladata@dor.state.ma.us.

The Massachusetts Association of Assessing Officers (MAAO) will grant continuing education credits to assessors attending the Certification Preparation Workshops.

DLS Reports Results of FY14 BOA Survey of Auditors, Accountants and Finance Directors

**Gerard D. Perry - Director of Accounts and Bob Bliss - DLS
Regional Manager and Director of Strategic Planning**

Bureau of Accounts field representatives are readily available to answer questions on the tax rate recap, balance sheet/free cash, and Schedule A processes.

Those results and many individual comments were received from 144 town auditors, accountants and finance directors who recently responded to a seven-question survey sent to more than 300 local officials last month at the conclusion of the FY14 tax-rate setting season. The [survey results](#) are posted in their entirety on the DLS survey website.

Commenting on the survey results, Director of Accounts Gerard D. Perry said, "On behalf of the staff at the Division of Local Services, and specifically the Bureau of Accounts (BOA), I want to thank the many respondents who took the time to answer the attached survey. I am pleased the vast majority of you believe that you received a quality public service from our office.

"However, we can always improve, which is one of the goals of this

exercise. Last year's survey indicated that there were problems with the A-4 Community Preservation Form. Due to your feedback, we redesigned the form to simplify the submission of its contents, which will be ready for the FY15 tax rate.

"Further, we conducted both internal and external training sessions with all stakeholders, which we believe has improved the CPA process. The information received from this year's data indicates that improvements need to be accomplished regarding the Schedule A. Over the next several months, we will work with municipal officials and appropriate Information Technology experts in an effort to improve the Schedule A process.

"As always, feel free to contact your BOA field representative with any questions or comments," Perry said.

Asked "what improvements can be made to ease your role in the tax rate setting process, free cash certification, and/or Schedule A completion?" respondents posted 67 individual comments ranging from "process is fine" to "Schedule A is too time consuming."

Asked "Do you have any suggested revisions for the tax recap sheet?" respondents posted 50 individual comments, with most saying they did not have any suggestions for revision.

Asked "If you used the Excel version to complete Schedule A and the bridge to upload to Gateway, how did you find the process to convert and upload?" respondents posted 31 individual comments ranging from "that is the way to go" to "it did not work for me."

Asked "if you used Gateway to enter Schedule A, did you find it easier to enter data for Section 3 than in the past?" the majority of respondents found it "very easy" (24 percent) or "somewhat easy" (46 percent), with 23 percent reporting "no difference" and 6 percent reporting "didn't notice."

Asked "Did you find the electronic receipt of the free cash calculation worksheet valuable?" 90 percent said "yes" and 10 percent said "no." Comments ranged from "I love the posting of the electronic receipt of free cash" to "I still am not convinced."

Schedule A on DLS Gateway: Fixes for Firefox and Chrome

Users

David Davies - Information Technology Director

DLS recently surveyed local finance officials regarding their experience completing Tax Rates and Schedule A online as described in the previous article. A number of responses indicated that Gateway did not correctly freeze the left panel of account names when the user scrolled to the right, making it difficult to enter numbers in the correct rows. Users who rely on the Internet Explorer browser (over 67% of users) did not experience this problem, but early Schedule A submitters using Firefox or Chrome browsers reported the scrolling/locking problem. Finding and then releasing a fix at the time would have required a system shut down, something not feasible during the tax rate season. However, DLS is now pleased to announce that our programmers have found fixes for both Firefox and Chrome.

Testing on Firefox versions 22 and 27 have the left account column properly locking. The same is true for Chrome version 32. A new Gateway version release is now being scheduled. Until that time, local officials currently working on Schedule A should consider using Internet Explorer for this year for that task until final measures are in place. The fixes will likely not be rolled out to production for another month because other enhancements now under development that should be in that release. We apologize for any inconvenience this may have caused, but are aware of the issue and will continue to work on it. In the meantime, we encourage you to contact your Bureau of Accounts advisor and utilize our surveys to provide feedback.

BULLETIN 2014-01B: 2013 Legislation

The Division of Local Services has posted [Bulletin 2014-01B](#) (February 2014) on its website. This Bulletin contains our annual summary of legislation enacted during the previous year that relates to municipal taxes and finances.

DLS Announces Training

Course 101 for Local Assessors

The Department of Revenue's basic course for assessors, "Course 101: Assessment Administration: Law, Procedures and Valuation," will be offered at the Andover Police Station on Wednesdays beginning April 16th through May 21th from 4pm to 7pm. The training consists of six sessions. Participants must attend five out of six sessions in order to meet the attendance requirements for the online examination.

The registration form can be found by clicking [here](#). Advanced registration is required as space is limited. Questions and requests for further information can be sent to dlsregistration@dor.state.ma.us.

February Municipal Calendar

February 1	Taxpayer	Deadline for Payment of 3rd Quarterly Tax Bill Without Interest According to M.G.L. Ch. 59, Sec. 57C, this is the deadline for receipt of the 3rd Quarter actual tax payment without interest, unless the actual tax bills were mailed after December 31. If mailed after December 31, the actual tax is due as a single installment on May 1, or 30 days after the bills were mailed, whichever is later.
February 1	Taxpayer	Quarterly Tax Bills Application Deadline for Property Tax Abatement According to M.G.L. Ch. 59, Sec. 59, applications for abatements are due on Feb. 1 unless actual tax bills were mailed after December 31. In that case they are due May 1, or 30 days after mailing,

		whichever is later.
February 28	Finance Committee	Continue Budget Review and Develop Recommendations This date will vary depending on dates of town meeting.
Final Day of Each Month	Treasurer	Notification of monthly local aid distribution. Click www.mass.gov/treasury/cash-management to view distribution breakdown.
To unsubscribe to <i>City and Town</i> and all other <i>DLS Alerts</i> , please click here .		